

VILLAGE OF MONTGOMERY

AUDIT REPORT

FEBRUARY 28, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF MONTGOMERY	County HILLSDALE
Fiscal Year End 2-28-2006	Opinion Date 1-9-2007	Date Audit Report Submitted to State 1-10-2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

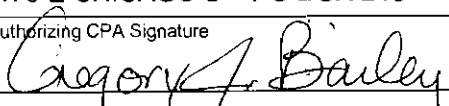
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, PC		Telephone Number (517) 849-2410	
Street Address 479 E CHICAGO ST PO BOX 215		City JONESVILLE	State MI
		Zip 49250	
Authorizing CPA Signature 		Printed Name GREGORY J BAILEY	
		License Number 1101022915	

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Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Montgomery
Montgomery, Michigan

We have audited the accompanying financial statements of each fund of the Village of Montgomery, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Montgomery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements do not present government-wide financial statements to report the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Village's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Montgomery, as of February 28, 2006, or the changes in its financial position for the year then ended.

As described in Note 1, the Village has partially implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of February 28, 2006.

The budgetary comparison information on pages 14 through 16, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Village of Montgomery

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The accompanying financial statements do not include a management's discussion and analysis, which is required to present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Bailey Holshure + Company, P.C.

Jonesville, Michigan

January 9, 2007

BASIC FINANCIAL STATEMENTS

VILLAGE OF MONTGOMERY
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2006

	General	Major Streets	Local Streets	Fire	Total Governmental Funds
ASSETS					
Cash & cash equivalents	\$ 166,921	\$ 130,506	\$ 53,861	\$ 30,190	\$ 381,478
Taxes receivable	6,824	0	0	0	6,824
Due from other governmental units	<u>12,487</u>	<u>7,198</u>	<u>2,425</u>	<u>16,637</u>	<u>38,747</u>
Total assets	<u>\$ 186,232</u>	<u>\$ 137,704</u>	<u>\$ 56,286</u>	<u>\$ 46,827</u>	<u>\$ 427,049</u>
LIABILITIES					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 5,216	\$ 5,216
Total liabilities	\$ 0	\$ 0	\$ 0	\$ 5,216	\$ 5,216
FUND BALANCES					
Unreserved	\$ 186,232	\$ 137,704	\$ 56,286	\$ 30,192	\$ 410,414
Designated for fire truck	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,419</u>	<u>11,419</u>
Total fund balances	<u>\$ 186,232</u>	<u>\$ 137,704</u>	<u>\$ 56,286</u>	<u>\$ 41,611</u>	<u>\$ 421,833</u>
Total liabilities and fund balances	<u>\$ 186,232</u>	<u>\$ 137,704</u>	<u>\$ 56,286</u>	<u>\$ 46,827</u>	<u>\$ 427,049</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MONTGOMERY
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2006

	General	Major Streets	Local Streets	Fire	Total Governmental Funds
REVENUE					
Property taxes	\$ 32,606	\$ 0	\$ 0	\$ 0	\$ 32,606
Tax administration fee	325	0	0	0	325
State shared revenue	40,966	38,415	12,942	0	92,323
Charges for services	0	0	0	21,187	21,187
Interest income	670	1,887	457	85	3,099
Grants	0	0	0	189,162	189,162
Rent	4,689	0	0	0	4,689
Miscellaneous	<u>1,488</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,488</u>
Total revenue	<u>\$ 80,744</u>	<u>\$ 40,302</u>	<u>\$ 13,399</u>	<u>\$ 210,434</u>	<u>\$ 344,879</u>
EXPENDITURES					
General government	\$ 35,730	\$ 0	\$ 0	\$ 0	\$ 35,730
Public safety	0	0	0	238,419	238,419
Public works	41,904	7,324	3,926	0	53,154
Parks	<u>7,470</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,470</u>
Total expenditures	<u>\$ 85,104</u>	<u>\$ 7,324</u>	<u>\$ 3,926</u>	<u>\$ 238,419</u>	<u>\$ 334,773</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (4,360)</u>	<u>\$ 32,978</u>	<u>\$ 9,473</u>	<u>\$ (27,985)</u>	<u>\$ 10,106</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	\$ 0	\$ 0	\$ 0	\$ 22,500	\$ 22,500
Operating transfers out	<u>(22,500)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,500)</u>
Total other financing sources (uses)	<u>\$ (22,500)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,500</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	<u>\$ (26,860)</u>	<u>\$ 32,978</u>	<u>\$ 9,473</u>	<u>\$ (5,485)</u>	<u>\$ 10,106</u>
FUND BALANCES - Beginning	<u>213,092</u>	<u>104,726</u>	<u>46,813</u>	<u>47,096</u>	<u>411,727</u>
FUND BALANCES - Ending	<u>\$ 186,232</u>	<u>\$ 137,704</u>	<u>\$ 56,286</u>	<u>\$ 41,611</u>	<u>\$ 421,833</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF MONTGOMERY
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Montgomery comprises a population of approximately 386 residents in Hillsdale County, Michigan. It operates under the Council-President form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services.

The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Village's activities, including fixed assets (buildings, equipment, vehicles, etc.) and infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on major funds.

The Village has elected to implement some of the provisions of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

The Village did not present government-wide financial statements to report the financial position and changes in the financial position using full accrual accounting for all the Village's activities. In addition, the Village did not include a management's discussion and analysis, which is required to present an analysis of the financial performance for the year.

Since the Village did not present government-wide financial statements, capital assets of the government are not reported in the Village's financial statements as of February 28, 2006.

Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Village's governmental activities are not reasonably determinable. The Governmental Accounting Standards Board has determined that management's discussion and analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Because of the effects of the matters discussed in the preceding paragraphs, the Village's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Montgomery, as of February 28, 2006, or the changes in its financial position for the year then ended.

VILLAGE OF MONTGOMERY
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of significant accounting policies used by the Village of Montgomery:

Financial Statement Presentation

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Village reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes (i.e. Major Streets, Local Streets, and Fire Fund).

Measurement Focus and Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, property taxes, State revenue sharing, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants received before the eligibility requirements are met are recorded as deferred revenue.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds."

Fund Balance - Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

VILLAGE OF MONTGOMERY
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Village Council at the line-item level. Any budgetary modifications may only be made by resolution of the Village Council. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to February 28, the Village Council proposes budgets for the fiscal year commencing on March 1.
- 2) A public hearing is conducted during February to obtain taxpayer comments.
- 3) Prior to February 28, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the Village, transfer of appropriations may be made by the authorization of the Village Council.
- 5) The Village Council is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Building and Grounds - insurance	\$ 8,000	\$ 10,454	\$ 2,454
"	Parks - capital outlay	3,500	5,993	2,493
Fire Fund	Supplies	5,000	5,745	745
"	Gas and oil	1,500	2,062	562
"	Insurance	10,000	11,238	1,238

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's investment policy makes no further limitation on investments. As of February 28, 2006, the Village's deposits are in accordance with statutory authority.

VILLAGE OF MONTGOMERY
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS - (continued)

Deposits

Following are the components of the Village's bank deposits at February 28, 2006:

Checking accounts	\$ 21,323
Savings account	339,655
Certificates of deposit	<u>20,500</u>
Total	<u>\$ 381,478</u>

Interest Rate Risk - In accordance with its investment policy, the Village manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and by investing operating funds primarily in certificates of deposit.

Credit Risk - The Village minimizes credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in its investment policy.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At February 28, 2006, the carrying amount of the Village's deposits was \$381,478 and the bank balance was \$388,255. Of the bank balance, \$200,500 was covered by federal depository insurance and \$187,755 was uninsured. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Foreign Currency Risk - The Village is not authorized to invest in investments which have this type of risk.

NOTE 4 - RECEIVABLES

Receivables at February 28, 2006, consist of State revenue sharing and the delinquent property taxes. All receivables are considered collectible in full.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no amounts due between funds at February 28, 2006.

NOTE 6 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in amounts equal to the total taxes levied. The total levy for 2005 was 8.5041 mills on a total state taxable value of approximately \$3,833,000. Village properties are assessed as of July 31 (the lien date) - taxes levied July 1 of the succeeding year and are due without interest to September 15. After the final collection date, unpaid real property taxes are added to the county delinquent tax rolls. Personal property taxes unpaid continue to be collected by the Village Treasurer.

NOTE 7 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Village has purchased commercial insurance for each of these areas of risk. There have been no significant reductions in insurance coverages, and settled claims have not exceeded the amount of insurance coverage for the current or the three prior years.

VILLAGE OF MONTGOMERY
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

NOTE 8 - SUBSEQUENT EVENTS

At its May, 2006 meeting, the Village Council approved a \$50,370 contract for street improvements within the Village.

NOTE 9 - NEW ACCOUNTING POLICIES

As of and for the year ended February 28, 2006, the Village implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF MONTGOMERY
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	Actual Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property taxes	\$ 31,347	\$ 31,347	\$ 32,606	\$ 1,259
Tax administration fee	0	0	325	325
State Shared Revenue	30,500	30,500	40,966	10,466
Interest	675	675	670	(5)
Equipment rent	0	0	4,689	4,689
Miscellaneous	<u>7,000</u>	<u>7,000</u>	<u>1,488</u>	<u>(5,512)</u>
Total revenue	<u>\$ 69,522</u>	<u>\$ 69,522</u>	<u>\$ 80,744</u>	<u>\$ 11,222</u>
EXPENDITURES				
VILLAGE COUNCIL				
Trustee salaries	\$ 4,950	\$ 4,950	\$ 4,290	\$ (660)
Payroll taxes	<u>1,600</u>	<u>1,600</u>	<u>1,549</u>	<u>(51)</u>
Total village council	<u>\$ 6,550</u>	<u>\$ 6,550</u>	<u>\$ 5,839</u>	<u>\$ (711)</u>
PRESIDENT				
Salary	\$ 1,825	\$ 1,825	\$ 1,715	\$ (110)
Mileage	<u>100</u>	<u>100</u>	<u>0</u>	<u>(100)</u>
Total president	<u>\$ 1,925</u>	<u>\$ 1,925</u>	<u>\$ 1,715</u>	<u>\$ (210)</u>
ELECTIONS				
Wages	\$ 1,000	\$ 1,000	\$ 48	\$ (952)
Contract services	200	200	0	(200)
Supplies	500	500	169	(331)
Printing and publishing	<u>300</u>	<u>300</u>	<u>0</u>	<u>(300)</u>
Total elections	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 217</u>	<u>\$ (1,783)</u>
CLERK				
Salary	\$ 4,825	\$ 4,825	\$ 4,715	\$ (110)
Supplies	1,500	1,500	256	(1,244)
Attorney fees	3,500	3,500	207	(3,293)
Auditor	2,500	2,500	0	(2,500)
Communications	250	250	0	(250)
Mileage	<u>100</u>	<u>100</u>	<u>41</u>	<u>(59)</u>
Total clerk	<u>\$ 12,675</u>	<u>\$ 12,675</u>	<u>\$ 5,219</u>	<u>\$ (7,456)</u>

VILLAGE OF MONTGOMERY
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (continued)
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	Actual Over (Under) <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TREASURER				
Salary	\$ 3,575	\$ 3,575	\$ 3,215	\$ (360)
Supplies	400	400	343	(57)
Contract services	600	600	127	(473)
Mileage	<u>250</u>	<u>250</u>	<u>68</u>	<u>(182)</u>
Total treasurer	<u>\$ 4,825</u>	<u>\$ 4,825</u>	<u>\$ 3,753</u>	<u>\$ (1,072)</u>
BUILDING AND GROUNDS				
Wages	\$ 2,000	\$ 2,000	\$ 322	\$ (1,678)
Supplies	1,200	1,200	1,039	(161)
Insurance	8,000	8,000	10,454	2,454
Utilities	1,500	1,500	670	(830)
Capital outlay	45,000	45,000	5,449	(39,551)
Licenses/fees	<u>1,500</u>	<u>1,500</u>	<u>1,053</u>	<u>(447)</u>
Total building and grounds	<u>\$ 59,200</u>	<u>\$ 59,200</u>	<u>\$ 18,987</u>	<u>\$ (40,213)</u>
PARKS				
Wages	\$ 2,000	\$ 2,000	\$ 702	\$ (1,298)
Supplies	500	500	172	(328)
Utilities	400	400	203	(197)
Trees	1,000	1,000	400	(600)
Insurance	1,000	1,000	0	(1,000)
Capital outlay	<u>3,500</u>	<u>3,500</u>	<u>5,993</u>	<u>2,493</u>
Total parks	<u>\$ 8,400</u>	<u>\$ 8,400</u>	<u>\$ 7,470</u>	<u>\$ (930)</u>
PUBLIC WORKS				
Wages	\$ 3,000	\$ 3,000	\$ 0	\$ (3,000)
Supplies	1,500	1,500	887	(613)
Equipment repairs	3,500	3,500	1,313	(2,187)
Sanitary landfill	3,000	3,000	2,914	(86)
Capital outlay	55,000	55,000	32,760	(22,240)
Storm drains	5,000	5,000	0	(5,000)
Street lights	<u>5,000</u>	<u>5,000</u>	<u>4,030</u>	<u>(970)</u>
Total public works	<u>\$ 76,000</u>	<u>\$ 76,000</u>	<u>\$ 41,904</u>	<u>\$ (34,096)</u>
Total expenditures	<u>\$ 171,575</u>	<u>\$ 171,575</u>	<u>\$ 85,104</u>	<u>\$ (86,471)</u>

VILLAGE OF MONTGOMERY
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (continued)
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>Budget Amounts</u>			Actual Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$(102,053)</u>	<u>\$(102,053)</u>	<u>\$ (4,360)</u>	<u>\$ 97,693</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 0	\$ 0	\$ 0	\$ 0
Operating transfers out	<u>(20,000)</u>	<u>(22,500)</u>	<u>(22,500)</u>	<u>0</u>
Total other financing sources (uses)	<u>\$ (20,000)</u>	<u>\$ (22,500)</u>	<u>\$ (22,500)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	<u>\$(122,053)</u>	<u>\$(124,553)</u>	<u>\$ (26,860)</u>	<u>\$ 97,693</u>
FUND BALANCES - Beginning	<u>193,480</u>	<u>193,480</u>	<u>213,092</u>	<u>19,612</u>
FUND BALANCES - Ending	<u>\$ 71,427</u>	<u>\$ 68,927</u>	<u>\$ 186,232</u>	<u>\$117,305</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MONTGOMERY
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR STREETS FUND
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUE				
State shared revenue	\$ 30,000	\$ 30,000	\$ 38,415	\$ 8,415
Interest	<u>450</u>	<u>450</u>	<u>1,887</u>	<u>1,437</u>
Total revenue	<u>\$ 30,450</u>	<u>\$ 30,450</u>	<u>\$ 40,302</u>	<u>\$ 9,852</u>
EXPENDITURES				
Street construction	\$ 0	\$ 0	\$ 0	\$ 0
Routine maintenance				
Salaries and wages	3,500	3,500	424	(3,076)
Payroll taxes	261	261	24	(237)
Workers' compensation	150	150	63	(87)
Supplies	11,200	11,200	9	(11,191)
Insurance	1,000	1,000	831	(169)
Contracted services	40,000	40,000	894	(39,106)
Equipment rental	6,500	6,500	3,240	(3,260)
Winter maintenance				
Salaries and wages	2,000	2,000	327	(1,673)
Payroll taxes	90	90	68	(22)
Workers' compensation	200	200	177	(23)
Administration				
Salaries and wages	1,200	1,200	1,200	0
Payroll taxes	90	90	68	(22)
Workers' compensation	<u>200</u>	<u>200</u>	<u>177</u>	<u>(23)</u>
Total expenditures	<u>\$ 66,400</u>	<u>\$ 66,400</u>	<u>\$ 7,324</u>	<u>\$ (59,076)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (35,950)</u>	<u>\$ (35,950)</u>	<u>\$ 32,978</u>	<u>\$ 68,928</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 0	\$ 0	\$ 0	\$ 0
Operating transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>0</u>	<u>5,000</u>
Total other financing sources (uses)	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	<u>\$ 0</u>	<u>\$ 5,000</u>
NET CHANGE IN FUND BALANCES	<u>\$ (40,950)</u>	<u>\$ (40,950)</u>	<u>\$ 32,978</u>	<u>\$ 73,928</u>
FUND BALANCES - Beginning	<u>98,073</u>	<u>98,073</u>	<u>104,726</u>	<u>6,653</u>
FUND BALANCES - Ending	<u>\$ 57,123</u>	<u>\$ 57,123</u>	<u>\$ 137,704</u>	<u>\$ 80,581</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MONTGOMERY
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL STREETS FUND
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>Budget Amounts</u>			Actual Over (Under) <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE				
State shared revenue	\$ 10,000	\$ 10,000	\$ 12,942	\$ 2,942
Interest	<u>260</u>	<u>260</u>	<u>457</u>	<u>197</u>
Total revenue	<u>\$ 10,260</u>	<u>\$ 10,260</u>	<u>\$ 13,399</u>	<u>\$ 3,139</u>
EXPENDITURES				
Street construction	\$ 0	\$ 0	\$ 0	\$ 0
Routine maintenance				
Salaries and wages	4,000	4,000	140	(3,860)
Payroll taxes	364	364	11	(353)
Workers' compensation	300	300	111	(189)
Supplies	8,000	8,000	95	(7,905)
Insurance	1,000	1,000	831	(169)
Contracted services	30,000	30,000	872	(29,128)
Equipment rental	3,500	3,500	1,448	(2,052)
Winter maintenance				
Salaries and wages	1,500	1,500	224	(1,276)
Payroll taxes	136	136	17	(119)
Workers' compensation	200	200	177	(23)
Administration	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 49,000</u>	<u>\$ 49,000</u>	<u>\$ 3,926</u>	<u>\$ (45,074)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (38,740)</u>	<u>\$ (38,740)</u>	<u>\$ 9,473</u>	<u>\$ 48,213</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 5,000	\$ 5,000	\$ 0	\$ (5,000)
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 0</u>	<u>\$ (5,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (33,740)</u>	<u>\$ (33,740)</u>	<u>\$ 9,473</u>	<u>\$ 43,213</u>
FUND BALANCES - Beginning	<u>44,747</u>	<u>44,747</u>	<u>46,813</u>	<u>2,066</u>
FUND BALANCES - Ending	<u><u>\$ 11,007</u></u>	<u><u>\$ 11,007</u></u>	<u><u>\$ 56,286</u></u>	<u><u>\$ 45,279</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MONTGOMERY
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	Actual Over (Under) <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Fire contracts	\$ 15,500	\$ 15,500	\$ 19,137	\$ 3,637
Fire runs	2,000	2,000	2,050	50
Grants	189,162	189,162	189,162	0
Interest	20	20	85	65
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>0</u>	<u>(1,500)</u>
Total revenue	<u>\$ 208,182</u>	<u>\$ 208,182</u>	<u>\$ 210,434</u>	<u>\$ 2,252</u>
EXPENDITURES				
Wages	\$ 13,500	\$ 13,500	\$ 11,907	\$ (1,593)
Payroll taxes	1,100	1,100	919	(181)
Supplies	5,000	5,000	5,745	745
Medical supplies	1,000	1,000	429	(571)
Contracted services	600	600	0	(600)
Communications	750	750	628	(122)
Gas and oil	1,500	1,500	2,062	562
Insurance	10,000	10,000	11,238	1,238
Utilities	3,000	3,000	2,705	(295)
Capital outlay	210,162	210,162	198,453	(11,709)
Repairs and maintenance	7,530	7,530	2,478	(5,052)
Training	2,000	2,000	1,695	(305)
Dues and fees	<u>1,000</u>	<u>1,000</u>	<u>160</u>	<u>(840)</u>
Total expenditures	<u>\$ 257,142</u>	<u>\$ 257,142</u>	<u>\$ 238,419</u>	<u>\$ (18,723)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (48,960)</u>	<u>\$ (48,960)</u>	<u>\$ (27,985)</u>	<u>\$ 20,975</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 20,000	\$ 22,500	\$ 22,500	\$ 0
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>\$ 20,000</u>	<u>\$ 22,500</u>	<u>\$ 22,500</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	<u>\$ (28,960)</u>	<u>\$ (26,460)</u>	<u>\$ (5,485)</u>	<u>\$ 20,975</u>
FUND BALANCES - Beginning	<u>33,945</u>	<u>33,945</u>	<u>47,096</u>	<u>13,151</u>
FUND BALANCES - Ending	<u>\$ 4,985</u>	<u>\$ 7,485</u>	<u>\$ 41,611</u>	<u>\$ 34,126</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MONTGOMERY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FEBRUARY 28, 2006

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

During the year, the Village incurred expenditures which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Building and Grounds - insurance	\$ 8,000	\$ 10,454	\$ 2,454
"	Parks - capital outlay	3,500	5,993	2,493
Fire Fund	Supplies	5,000	5,745	745
"	Gas and oil	1,500	2,062	562
"	Insurance	10,000	11,238	1,238

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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January 9, 2007

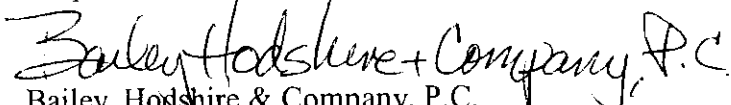
To the Village Council
Village of Montgomery
Montgomery, Michigan

As a result of our audit of the financial statements of Village of Montgomery as of and for the year ended February 28, 2006, we would like to make the following comments and recommendations:

1. There were a few accounts that had expenditures in excess of budgeted amounts. We recommend that the budgets be carefully reviewed prior to year-end and amended as necessary. In addition, these amendments should be documented in the Council minutes.
2. Payments to vendors should never be made directly from statements unless all of the related invoices are attached and marked as paid. There were a few instances during the year where the Village made a payment from both a statement and an invoice, which resulted in overpayments that had to be refunded.
3. Deposits for Federal payroll taxes (Federal withholding, Social Security, Medicare) should be paid at the bank monthly with a Federal Tax Deposit Coupon. Michigan income tax withheld should be mailed to the Michigan Department of Treasury in Lansing. During the year, all of these taxes were paid with a coupon at the bank, which resulted in an overpayment of Federal payroll taxes and an underpayment of Michigan payroll taxes.
4. The remaining research on capital assets (acquisition date and purchase price) should be completed prior to the Village's next audit to ensure full compliance with the requirements of GASB 34.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,


Bailey, Hodshire & Company, P.C.